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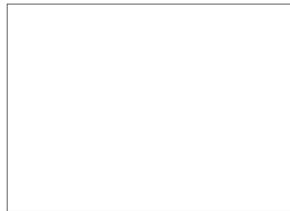
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Friday 2 December 1977 CG NIDC 77/279C

State Dept. review completed

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DIA review(s) completed.

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National Intelligence Daily Cable for Friday, 2 December 1977.

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[redacted]

SAUDI ARABIA: Yamani's Comments

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[redacted] //In a wide-ranging conversation yesterday with Ambassador West, Saudi Oil Minister Yamani expressed the view that a price freeze this month is now a foregone conclusion. Yamani said that Kuwait, Abu Dhabi, and Qatar will join Saudi Arabia and Iran in supporting a price freeze; he believes that the remaining OPEC countries will have no choice but to go along.//

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[redacted] //We are not certain that Kuwait, which had favored a price increase, has agreed to a freeze. Nevertheless, the combination of Saudi Arabia and Iran, along with a few other OPEC countries, certainly would tip the scale in favor of a freeze at the OPEC meeting in Venezuela later this month.//

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[redacted] //In view of the language and approach used by Yamani, we presume he is speaking on behalf of Crown Prince Fahd. We do not know, however, if this position represents a consensus of the royal family at this time. With barely three weeks to go before the meeting, the final Saudi decision on prices could still be influenced by a perception by the Saudis of a deterioration in Arab-Israeli peace prospects.//

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[redacted] //Yamani's remarks apparently supercede the recent recommendation by the Saudi Deputy Oil Minister that Saudi Arabia support a price increase. Yamani also believes that market pressures will push up oil prices in the second half of 1978 no matter what OPEC does. He emphasized to the Ambassador the necessity of effective conservation in consuming countries over the longer term.

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ISRAEL: Seizing Opportunity

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[redacted] Israeli leaders seem convinced that Egyptian President Sadat might be willing to conclude a separate agreement with Israel if his present initiative fails because of Arab rather than Israeli intransigence. As a result, several senior cabinet ministers

[redacted] are urging Prime Minister Begin to show some genuine flexibility in responding to Sadat's overture for an overall settlement, presumably lest the chances for even a separate agreement be lost.

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[redacted] Begin has [redacted] acknowledged the need for Israel to rethink its approach to key issues, including the West Bank.

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[redacted] Begin seems deeply torn between adhering to his strongly held religious-political principles and seizing the historic opportunity that Sadat has offered him.

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[redacted] There is apparently a general consensus among Israeli leaders that an accommodation at least with Egypt is now possible. Dayan stated flatly in an interview on Wednesday that Sadat was ready for a separate peace if the other Arabs opposed a comprehensive settlement. General Gazit, Director of Israeli Military Intelligence whose views are widely shared by other senior officials, echoed this assessment in a briefing he gave foreign military attaches yesterday in Tel Aviv.

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[redacted] Gazit maintained that Sadat's visit to Jerusalem was motivated by the belief that Egypt has no military solution to the Arab-Israeli conflict either in the immediate future or over the longer term because the Middle East would soon become a "nuclear area"--thus implying that both Israel and the Arabs would have nuclear weapons. Gazit also said that Sadat faces serious economic and social problems at home, and lastly that he realized the only way he could break down the psychological barriers to a settlement was to go to Jerusalem.

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[redacted] Gazit acknowledged that Sadat is not now interested in a bilateral agreement with Israel and that the negotiations in Cairo would have to deal with an overall settlement. He argued that Sadat, nevertheless, has no mandate to negotiate for the other Arabs and that Syria and the Palestinians have demonstrated that their desire for peace is insincere. As a result, Gazit maintained that Sadat could reach an agreement with Israel on the general terms of a comprehensive settlement, and unilaterally implement Egypt's part, leaving the other Arabs to follow suit at their discretion.

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[redacted] The Israelis obviously hope that Jordan's King Husayn will decide to join the negotiations at some point, helping to buttress Sadat's position in the Arab world and to isolate Syria. Both Gazit and Finance Minister Ehrlich--the leader of the Liberal faction of Likud--noted yesterday that Jordan is an

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important factor in the present situation. Indeed, the Israelis seem to find it incomprehensible that Jordan and Saudi Arabia have not supported Sadat more fully and openly against the Arab radicals.

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ARAB STATES: Tripoli Meeting

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The heads of state of the radical Arab nations and Palestinian leaders convened in Libya yesterday to denounce Egypt's peace initiatives and immediately postponed their meeting until today. The Soviets continue to support a resumption of the Geneva conference and thus have not been outspoken in their support of the Tripoli conference.

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The ostensible reason for the postponement was the delayed arrival of South Yemen's President; the real reason could simply be the continuing confusion that has surrounded arrangements for the summit from the beginning.

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Already in Tripoli are Syrian President Asad, Algerian President Boumediene, Palestine Liberation Organization chairman Yasir Arafat, Palestinian rejectionists George Habbash and Ahmad Jabril, and an Iraqi delegation headed by Revolutionary Command Council member Taha Yasin Ramadhan.

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The Syrian Deputy Chief of Mission in Moscow has told US officials that Soviet President Brezhnev, during his meeting with Syrian Foreign Minister Khaddam on Wednesday, gave Khaddam a message for the Tripoli gathering, expressing his personal hopes for its success. The Soviets allegedly regard the session as being necessary because of the bad effects of Egyptian President Sadat's visit to Israel and his call for a pre-Geneva conference in Cairo.

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According to the Syrian diplomat, the Soviets do not agree with the Syrian view that Sadat's initiatives have inevitably postponed a reconvening of the Middle East peace conference at Geneva but do admit that its resumption has become much more difficult. Soviet media have not commented on the Tripoli meeting but have repeated Arab commentaries to emphasize the strong Arab opposition to Sadat's activity.

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[redacted] The Syrian diplomat said that Khaddam had expressed concern to the Soviets that Iraq's call for a meeting in Baghdad might hamper the gathering in Tripoli, but the Soviets merely told Khaddam that they did not want that issue to worsen Syrian-Iraqi relations. According to the Syrian, the Soviet leaders pronounced themselves in favor of the Tripoli meeting and did not commit the USSR for or against a conclave in Baghdad.

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[redacted] Tariq Aziz, a member of Iraq's ruling Revolutionary Command Council, arrived in Moscow yesterday and presumably will push for a Soviet endorsement of a Baghdad meeting as well as for greater Soviet support of the radical Arabs. [redacted]

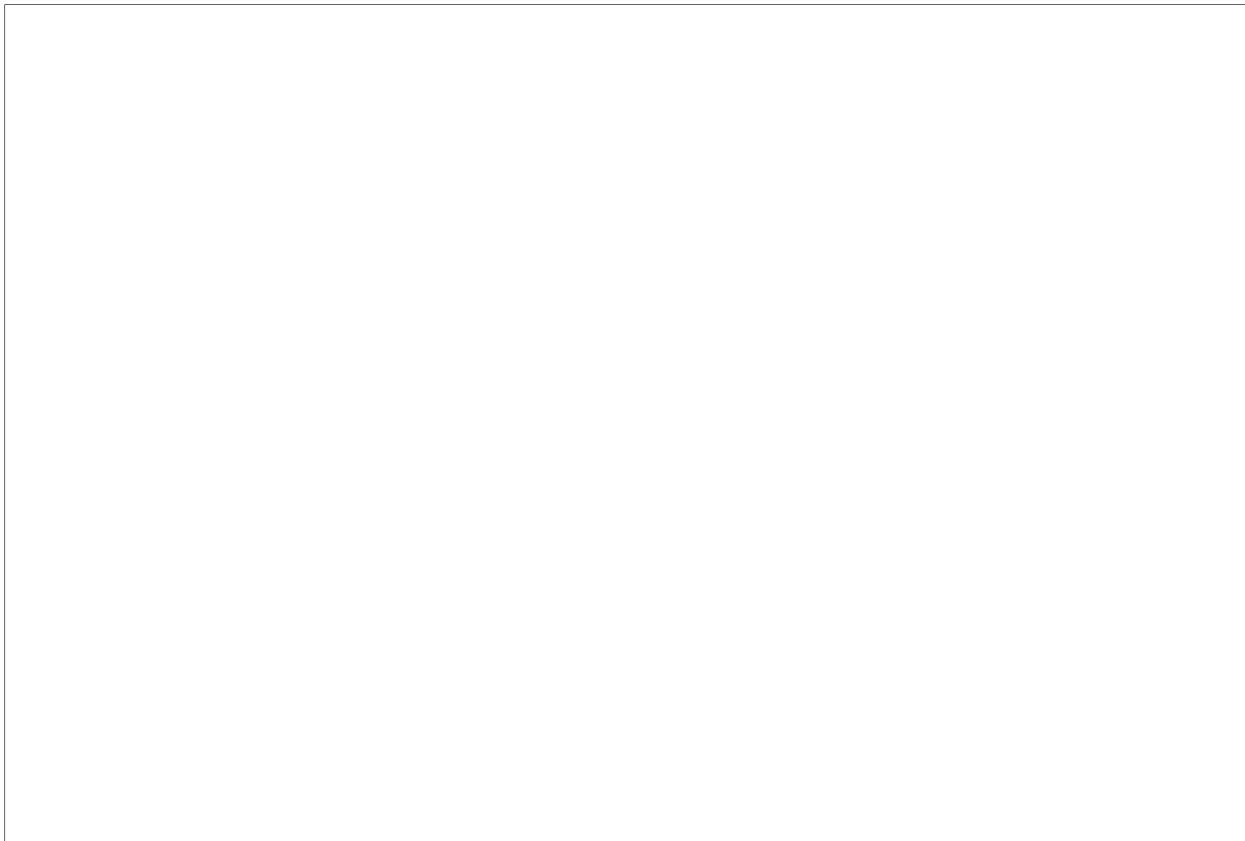
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FRANCE - WEST AFRICA: Military

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[redacted] //France apparently has used the cover of a scheduled military exercise in Gabon to station six Jaguar combat aircraft in Dakar, Senegal. The introduction of French combat aircraft into Senegal, carried out quietly because of expected foreign and domestic criticism, almost certainly is part of an effort to defend French citizens endangered by Polisario Front insurgents in neighboring Mauritania.//

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[redacted] //A French official in Paris last week denied that the arrival of eight Jaguars in Dakar on 23 November was related to events in Mauritania. According to the official, the Jaguars were en route to Gabon, where they would take part in a joint military exercise scheduled many months ago to take place this week. Late last week, four of the Jaguars flew to Togo for a weekend exercise and then presumably joined the exercise in Gabon on Monday.//



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[redacted] //The other four aircraft remained in Dakar, however, and were joined last weekend by two additional Jaguars, presumably from France.//

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[redacted] //These Jaguars are the only French combat aircraft in the area, but they give the French a significant military strike force for use against the Polisario.//

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[redacted] //The French military attache in Nouakchott confirmed on 1 December that Jaguars would attack any Polisario forces that threatened the Frency community. He indicated the aircraft would continue to fly regular missions over Mauritania every few days. With their external fuel tanks, the aircraft can easily fly to all population centers in Mauritania where French nationals might be endangered by the Polisario. Aided by five Dakar-based reconnaissance aircraft, the Jaguars could play a major role in locating and blunting future large-scale Polisario raids.//

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[redacted] //The French augmented their military garrison in Dakar early last month in response to the capture in late October of two French technicians. They now have more than 1,300 troops and some 15 military aircraft in the Dakar area.//

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[redacted] //The French stepped up their military aid to Mauritania after the Polisario raid on Zouerat in May when six French citizens were abducted. In addition to military equipment, French advisers are aiding the Mauritanians in training and staff administration.//

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[redacted] //In addition to advisory roles, the French apparently are providing direct military support to the Mauritians. Even before the kidnapping of two French railway workers last month, French aircraft flew reconnaissance missions over northern Mauritania. [redacted]

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[redacted] //Since the beginning of November, French aircraft based at Dakar have conducted daily reconnaissance flights, and some of these aircraft may conduct armed reconnaissance missions. The greater French involvement thus far has not led the Polisario guerrillas to reduce the scope of their operations.//

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[redacted] //The Mauritanian armed forces have expanded from about 2,000 in late 1975 to roughly 16,000 today and are expected to reach 18,000 in the next few months. This rapid expansion has created a large, inexperienced army that sorely needs the training the French can offer.//

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[redacted]

USSR: Industrial Output Sluggish

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[redacted] Soviet industrial production in the first nine months of 1977 continued to grow sluggishly, according to Soviet statistics. The total annual increase in industrial production probably will fall below 5 percent for the second consecutive year, largely as a result of low productivity, rising costs, and delays in bringing new capacity on stream.

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[redacted] Output of ferrous metals has stagnated at near-1976 levels because of inadequate investment in steel-making facilities and insufficient supplies of high quality raw materials. A steady decline in the quality of Soviet iron ore has forced the diversion of investment funds to ore mining and ore beneficiating projects. Tight supplies of iron ore have hampered production of pig iron.

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[redacted] Energy production has been growing at declining rates this year. The 3.6-percent growth in electric power is an unprecedented low. Growth rates for crude oil and natural gas, while in line with the current plan, are below the comparable period a year ago.

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[redacted] The chemical industry, an area of prime growth, failed to meet the plan for sulfuric acid production. Production shortfalls of such products as mineral fertilizer and plastics may occur because of delays in the introduction of new capacity.

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[redacted] The growth of machinery output, which dipped below midyear rates, may fall even further by the end of the year if problems in producing ferrous metals continue. The 8-percent drop in diesel locomotive production and the downturn in freight car production could exacerbate the problems of an already overtaxed industrial supply network. Shortages of rolling stock have already hindered grain hauling and coal loading.

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[redacted] Only production of consumer nondurables, buoyed by the nearly 7-percent rebound in the output of processed food, has shown significant improvement over last year. Total output of processed food is still only 3 percent above the 1975 level, however. Meat production is up nearly 13 percent, for example, but even if this rate were sustained through the rest of 1977, production would still be below that of 1975.

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[redacted] Given the lackluster performance of the past two years, we do not believe that Soviet industry will achieve the 6.3-percent growth goal of the current five-year plan. Soviet industrial output would have to accelerate to 7.7 percent per year in the remaining three years of the plan in order to reach that goal.

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[redacted]

BRAZIL: Presidential Succession

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[redacted] //Brazilian President Geisel has publicly guaranteed the Army's High Command that the next president will be drawn from the military. The selection will be made in secret by Geisel and the senior generals, and the successor's name will be released next month. We believe that recent events have dimmed the prospects of the apparent front runner, General Joao Figueiredo. The prospects of a dark horse, General Reynaldo Metto da Almeida, have improved significantly. The Defense Intelligence Agency believes that Figueiredo's prospects may not have fallen as sharply as CIA portrays.//

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[redacted] //Last week, Geisel promoted four generals to four-star rank and assigned two of them to key positions. Both the new Army Chief of Staff and the new commander of the powerful Third Army reportedly share Geisel's cautiously progressive political views; General Figueiredo, by contrast, seems to be a political opportunist. The new Third Army commander is a protege of General Reynaldo.//

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[redacted] //Reynaldo has close personal ties to Geisel, and he has previously been mentioned as a presidential possibility. His political views seem close to Geisel's; he favors eventually restoring Brazil to civilian, constitutional government and he has a good record on human rights.//

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[redacted] //The General has long had cordial relations with US military officers and played a key role in providing Brazilian troops for the Inter-American Peace Keeping Force in the Dominican Republic in 1965. He formerly commanded the important First Army and is now a member of the Supreme Military Tribunal, Brazil's highest military court. Rumors in military circles that the 63-year-old general is in poor health are unsubstantiated.//

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[redacted] //As a result of the recent promotions, Figueiredo now ranks sixth in seniority among the three-star generals. A fourth star has been considered a prerequisite to becoming president of Brazil since the military assumed power in 1964. It is increasingly unlikely that Figueiredo will be promoted at the next opportunity in March because only one vacancy is scheduled to be filled. In any case, he almost certainly will not be promoted before the presidential issue is decided next month.//

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DIA Dissent

[redacted] //DIA disagrees with the portrayal of the extent to which General Figueiredo's promotion and presidential prospects have fallen. While his chances have lessened, a number of senior Generals could retire before March, creating additional vacancies. Further, General Figueiredo could be promoted without his rank being charged against regular army billets since he is on detached duty with the National Intelligence Service. Current Embassy [redacted] reporting still imply Figueiredo is in the running for possible selection as the official presidential candidate. Although there is no established precedent, the General could also be selected as the frontrunner without obtaining his fourth star. [redacted]

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USSR: More Efficient Auto Engines

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[redacted] //Soviet scientists say they have developed a stratified charge combustion process that could significantly improve the performance of automobile and truck gasoline engines. According to the Soviets, the new process provides 10 to 15 percent better fuel consumption, lowers fuel octane requirements by 10 points, and produces less toxic exhaust than the Japanese Honda. Production of an engine incorporating this process could begin as early as 1980.//

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[redacted] The stratified charge engine combines features of both gasoline and diesel engines. It uses a normal fuel air mixture localized at the spark plug, and a mixture that is more efficient and cleaner burning in the rest of the cylinder.

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[redacted] //The Soviets said they have equipped about 400 GAZ and ZIL automobile and truck engines and a fleet of 40 taxicabs with the new engines. According to ZIL truck plant officials, the engines increased efficiency in cars by 15 percent and in trucks by 10 percent.//

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[redacted] //The Soviets appear eager to sell the technology in the US. Earlier this year they promised to provide an engine for testing in the US and expressed interest in cooperation in further development of the process. The Soviets want to perform additional tests and process patents before they export the engine.// [redacted]

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BRIEFS

Angola

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[redacted] //Angola's ruling Popular Movement will convene its first party congress on Sunday. President Neto will probably use the occasion to transform the Movement into a Marxist-Leninist party--as FRELIMO did in Mozambique earlier this year. The one-week congress will also consider a three-year economic plan for the country; reorganization of the police and the armed forces; and resolutions establishing social, economic, and political guidelines.// [redacted]

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[redacted] Six hundred national delegates and guests are expected to attend the congress; about a third of the delegates will come from the armed forces and the police. The Angolans have also invited about 150 foreign guests.

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[redacted] At a public rally last week, the Angolan Defense Minister acknowledged that "certain people" would attempt to disrupt the proceedings, and urged public vigilance. [redacted]

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Italy

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[redacted] As many as 100,000 Italian metalworkers will converge on Rome today for a massive rally that is to be the centerpiece of a one-day strike. The rally is symptomatic of growing restiveness among rank-and-file workers who are unhappy both with the

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government for not doing more to improve their lot, and with their own leaders--particularly the Communists--for continuing to urge restraint on economic questions. Moreover, although the organizers have forsaken violence, they have invited Rome's students to participate, and far-leftists among the students hope to turn the rally toward violence. There is a strong possibility of clashes between student radicals and more moderate unionists, and also of random acts of violence.

Indonesia

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The Indonesian Government is proceeding with plans to release 10,000 "Class B" political detainees, most of whom have been in detention since the anti-Communist crackdown of 1965. The government has set 20 December as the date for formal release ceremonies in four locations. Foreign ambassadors will be allowed to attend the ceremony in Medan at which Admiral Sudomo, the chief of internal security, will preside. The detainees will be given the choice of returning to their home villages or of participating in the government's resettlement program; in either case, they will be subject to a probation period of one year. Most detainees will probably opt to return home.

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The release will be the first stage in the timetable announced by President Suharto in December 1976, under which an additional 10,000 will be released in December 1978 and the remainder of the 27,542 "Class B" detainees in December 1979. About 2,000 Communists in "Class A" will be tried, reclassified, or kept under detention.

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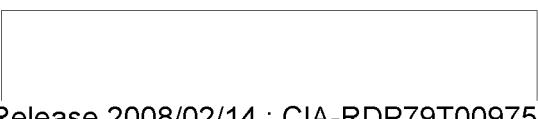
South Korea

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Rumors of an impending cabinet reshuffle are circulating in Seoul. Some changes are likely this month, but the timing and other specifics probably are being tightly held by President Pak.

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Cabinet changes are not likely to signify any major changes in policy. Since Kim Chong-pil stepped down as Prime Minister in December 1975, South Korean cabinet officers generally have been rather colorless administrators and technocrats. The cabinet has often been overshadowed by more influential figures on the presidential staffs and in the Korean Central Intelligence Agency.



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[redacted] Even so, Pak doubtless hopes that some new faces will help clear the decks for the new year and perhaps improve the atmosphere for progress on such continuing problems as the Tongsun Park case and the continuing demands for the release of political prisoners at home. [redacted]

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USSR

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[redacted] Dissident physicist Andrey Sakharov told Western reporters yesterday that he has been effectively barred from visiting the US as the guest of AFL-CIO President George Meany. Sakharov said that because of his past access to state secrets, the Soviet Academy of Sciences--of which he is a member--had refused to give him the character reference necessary for an exit visa application. He accused the KGB of being behind the move.

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[redacted] Sakharov told the US Embassy on Monday that Soviet authorities had refused to accept his request to visit the US but that they had left open the possibility if he received a properly worded, personal invitation.

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[redacted] Sakharov probably realizes that his decision to speak to Western newsmen on the latest development will result in substantial Western publicity for his travel request and will cement the negative Soviet position. There had been some speculation that because Sakharov has been barred from secret work for almost 10 years, this would no longer be used as an excuse to deny him foreign travel. Sakharov probably now sees no chance of visiting the US and has decided that publicity is his only recourse. [redacted]

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